

Message Text

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SUBJECT: GOG REPEALS CERTAIN TAX PRIVILEGES FOR
PERSONNEL OF FOREIGN FIRMS

REF: A) ATHENS 772; B) ATHENS 387; C) ATHENS 662;
D) ATHENS 3834

1. LAW NO 27, ON THE TAXATION OF SHIPPING, ENACTED APRIL 22, AND RECENTLY GAZETTED, AMENDS AND SUPPLEMENTS PREVIOUS LEGISLATION GOVERNING GREEK SHIPPING TAXATION, AND ABOLISHES CERTAIN TAX PRIVILEGES PREVIOUSLY ACCORDED TO FOREIGN PERSONNEL OF FOREIGN COMMERCIAL, INDUSTRIAL, AND SHIPPING COMPANIES ESTABLISHED IN GREECE UNDER LAW 89/67, AS SUPPLEMENTED BY LAW 378/68. "LAW 89" FIRMS ARE REGIONAL SUPERVISORY OFFICES WHICH DO NOT DO ANY ACTUAL BUSINESS WITHIN GREECE, AND THE LAW GAVE THEIR FOREIGN PERSONNEL A WIDE RANGE OF TAX BENEFITS, INCLUDING DUTY FREE ENTRY OF AUTOMOBILE AND HOUSEHOLD GOODS, TAX FREE CIRCULATION OF AUTOS, AND EXEMPTION OF LOCALLY EARNED INCOME FROM GREEK INCOME AND STAMP TAX.

2. LAW NO 27 IS PRINCIPALLY CONCERNED WITH ORGANIZATION AND IMPLEMENTATION OF NEW TAX SYSTEM FOR GREEK FLAG SHIPPING. EMBASSY WILL REPORT BY SEPARATE AIRGRAM ON SHIPPING ASPECT

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OF NEW LAW. IN ADDITION, ART 29 OF LAW 27 AMENDS LAW 89 BY:
(A) ABOLISHING TAX FREE CIRCULATION OF AUTOMOBILES OWNED

BY FOREIGN EMPLOYEES OF LAW 89 FIRMS; AND (B) REPEALING
INCOME AND STAMP TAX EXEMPTION ON EARNINGS IN GREECE BY
FOREIGN EMPLOYEES OF LAW 89 FIRMS.

3. COMMENT. EMBASSY NOTES THAT ARTICLE IN INTERNATIONAL
HERALD TRIBUNE, MAY 20, PARTICULARLY THE HEADLINE, COULD BE
INTERPRETED TO IMPLY THAT THESE CHANGES COVERED ALL TAX
BENEFITS OFFERED BY GOG TO FOREIGN INVESTORS UNDER GREEK
INVESTMENT INCENTIVE LEGISLATION, AND SIGNALLED A CHANGE IN
GOG'S ATTITUDE TOWARD FOREIGN INVESTMENT IN GENERAL.
EMBASSY HOPES THE ABOVE MAY HELP IN ASSURING AMERICAN BUSINESS-
MEN SHOULD THEY ENQUIRE.

4. AMENDMENT OF LAW 89 REFLECTS GOG CONCERN WITH ABUSES
OF TAX FREE PRIVILEGES COMMITTED MOSTLY BY PERSONS WHO
HAVE ORGANIZED LAW 89 SHIPPING COMPANIES FOR TAX FREE
PERSONAL CONVENIENCE RATHER THAN FOR CONDUCT OF THEIR
BUSINESS OUTSIDE GREECE. UNFORTUNATELY THIS SHOTGUN
APPROACH, AIMED AT SHIPPING COMPANY ABUSES, ALSO PENALIZES
INDUSTRIAL AND COMMERCIAL REGIONAL OFFICES OPERATING UNDER
LAW 89, WHICH, HOWEVER, NUMBER ONLY 190 OUT OF TOTAL OF ABOUT
1020 LAW 89 FIRMS. ALTHOUGH SOME AMERICAN LAW 89 COMPANIES
ARE CONCERNED ABOUT IMPACT OF NEW TAXES ON THEIR LOCAL COSTS,
CONSENSUS AT THIS TIME SEEMS TO BE THAT PROFITABILITY OF
LOCAL OPERATIONS WILL NOT BE AFFECTED SUFFICIENTLY TO
FORCE THEM OUT OF GREECE.
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